

DRIVING A STRONG ECONOMY COMMITTEE

Executive Summary May 23, 2005

The meeting was convened at 1:34 p.m.

Members Present: Chair Forrest Williams, Councilmember Chuck Reed

Absent: Vice-Chair Dave Cortese

Staff Present: Paul Krutko, Ed Moran, John Weis, Mike Meyer, Jessica Scheiner, Nanci Klein, John Lang

1. Fair Housing and Predatory Lending Education Update (Housing)

The Committee accepted the staff's report, "Fair Housing and Predatory Lending Education".

2. Economic Impact of the New City Hall (Economic and Development City Service Area)

The Committee accepted the staff's report, "Economic Impact of the New City Hall".

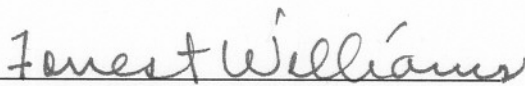
3. Update on Access San Jose and Team San Jose (Convention and Visitors Bureau, Team San Jose, City Manager's Office, Economic and Neighborhood Development City Service Area)

The Committee accepted staff's report, "Update on Access San Jose and Team San Jose".

4. Oral Petitions
None

5. Adjournment

Meeting was adjourned at 3:23 p.m.


Forrest Williams, Chair
Driving A Strong Economy Committee

DRIVING A STRONG ECONOMY COMMITTEE
Report
May 23, 2005

Members Present: Chair Forrest Williams, Councilmember Chuck Reed

Absent: Vice-Chair Dave Cortese

Staff Present: Paul Krutko, Ed Moran, John Weis, Mike Meyer, Jessica Scheiner,
Nanci Klein, John Lang

Guests: Dan Fenton, Mike Ross, Jose Villareal

The meeting was convened at 1:34 p.m.

1. Fair Housing and Predatory Lending Education Update (Housing)

Mike Meyer, Deputy Director of Production, Housing Department, and Jessica Scheiner, Fair Housing Coordinator, Housing Department, together presented this report. In response to Council direction to ensure equal housing opportunities are established for all residents and that residents learn how to protect themselves against predatory mortgage lenders, staff began work on two public campaigns:

- To educate the residents of San Jose on their rights and responsibilities under fair housing laws
- To educate residents on how to protect themselves against predatory mortgage lending practices

In September 2003, the City Council approved the Analysis of Impediments (AI) to Fair Housing Choice Report. The AI identifies impediments to fair housing choices and provide recommendations for actions that the City can take to remove these obstacles. Increasing public outreach and education efforts to tenants, landlords, and housing apartment associations on fair housing laws were the main recommendations.

On June 1, 2004, City Council approved the Predatory Lending Action Plan, and directed staff to work with partners in the lending and real estate community. Representatives from California Association of Mortgage Brokers, the Fair Housing Law Project, Neighborhood Housing Services Silicon Valley, the Santa Clara County Association of Realtors, Working Partnerships, ProBono Project, and Bay Area Legal Aid helped develop a comprehensive anti-predatory lending educational program.

Public activities by the Department of Housing and its partner organizations are as follows:

- Educate consumers on predatory lending practices
- Housing Department website: sjhousing.org
- Distribution of Fact Sheets
- Workshops for apartment owners and managers
- Features on cable TV segment
- Displays set up in lobby at City Hall
- Newsletter articles

Chair Williams asked about what type of harassment occurs in housing discrimination. Jessica Scheiner, Fair Housing Coordinator, responded that recent or undocumented immigrants and single moms have been the targets of harassment.

Councilmember Reed asked what kind of data is being collected to measure the success of the public outreach programs. Jessica Scheiner responded that there has not been a formal survey done and the usual responses that do come forward are complaints from the community. Privacy laws also protect paperwork associated with mortgages that could be used for data collection, so there is limited, and sometimes, no access.

Chair Williams agreed that having data would help determine what kind of impact these programs have on the community. He suggested that staff might contact lenders in the mortgage community and help identify what kind of victims and cases of predatory lending they have identified. Jessica Scheiner responded that the targeted segment of constituents is minority, low-income populations. They typically do not have access to mainstream banking and savings accounts, and language and education can be possible barriers as well.

Councilmember Reed asked if staff was aware of any national survey being done on identifying targeted segments. Jessica Scheiner responded there is not a survey comprehensive enough to serve as a model. Various organizations have attempted to survey communities, but generally the typical respondents were those that had negative experiences with their lender.

Paul Stewart, Co-chair of the Predatory Mortgage Coalition, thanked the Housing Department for their leadership on educating the public. His organization plans to work in cooperation with the Housing Department and do several public outreach events throughout the city.

Upon motion of Chair Williams, seconded by Councilmember Reed, the Committee accepted staff's report on, "Fair Housing and Predatory Lending Education".

2. **Economic Impact of the New City Hall (Economic and Development City Service Area)**

Paul Krutko, Director of Economic Development, Nanci Klein, Manager of Corporate Outreach, Office of Economic Development, John Lang, Analyst, Office of Economic Development, and John Weis, Deputy Executive Director, Redevelopment Agency, gave this presentation. The retail site at the new City Hall will encompass approximately 6,000 square feet. A Request for Proposals (RFP) was released on April 15, 2005 and two pre-proposal conferences have been conducted. The RFP solicits proposals from individual tenants and from master developers for quality coffee, soup, salad, sandwich and hot food options at reasonable prices. Food cart operations will provide employees and downtown visitors with basic coffee and food service in an appropriate location outside of the new City Hall and immediately within the building. The document also includes the following specific requirements:

- That there will be participation by at least one small/local restaurant tenant
- Prevailing wage rules applies to the construction of the space, not tenant operations
- That the respondent understands that the City will not contribute any dollars toward tenant improvements within the designated space.

The proposal indicated that the cost of build-out space would be high and that the budget for the project does not include any tenant improvement dollars for the project. Staff anticipates difficulty in attracting small and local restaurants to this site due to the financing and the sophistication required to complete the complex construction needs for food preparation and service. The RFP is designed to allow individual tenants to respond as well as developers. The City's goal is to provide maximum access for small and local businesses. Retail will serve City Hall employees, visitors, and contribute to the retail environment in downtown. Based on statistics provided by the Sedway Group and the Convention Arts and Visitors Bureau, the following economic impact on the area around the new City Hall is as follows:

½ of City Employees in the Downtown will eat out	615
½ of Visitors to NCH will eat in the downtown	500
Average spending per day	\$ 10.51
Estimated Daily Impact	\$ 11,700.00
Number of City business days	\$ 255.00
Annual Estimated Impact	\$ 2,980,000.00

On average, day visitors to San Jose spend \$10.51 a day on food and beverage. The annual estimated impact does not include other indirect spending which is estimated to be roughly \$2 million.

Loans to downtown businesses since 2002, total \$1,405,050 and RDA has advanced \$250,000 to the Small Business Loan Program (SBLP) for loans.

Councilmember Reed expressed concerns about how small businesses will be able to afford to build out their own space and go through the bureaucracies of being a tenant within City Hall.

Paul Krutko, Director of Economic Development, agreed with these concerns. Staff was in favor of modeling the leasing of the new City Hall after the Airport's approach to retail space by use of a master lease with an entity that subleased the retail space. Staff recognizes the challenges the current RFP places on small and local business. To help provide the sophistication and expertise needed, the RFP requires applicants to have a registered California architect and a registered California general contractor. Also a special team has been formed to help provide a core of competency around any applicant, composed of staff from the Health Department, PG&E, San Jose Water and City staff. In addition because the responsibility of tenant improvements rests entirely on the tenant, competitive downtown rents will be harder to negotiate initially.

Councilmember Reed asked what the length of the lease terms would be. Nanci Klein, Manager of Corporate Outreach, responded that because of the cost of amortizing tenant improvements, a minimum of 15-20 years might be necessary.

Chair Williams asked if any analysis on why retail space at the Fairmont and the 4th Street Garage remains difficult to occupy.

John Weis, Executive Deputy Director, Redevelopment Agency, responded that at both the 4th Street Garage and Fairmont locations, a restaurant vendor is challenged by the fact that infrastructure upgrading is necessary to provide proper venting and is impeded by the upper floors of each building.

Paul Krutko added that the majority of small businesses do not succeed because they are under-capitalized and mismanage their payroll, taxes or bills. He also advised the Committee members that the new City Hall garage presently being built, there is 3,000 square feet of space not yet built that can address the issues facing the 4th Street Garage and Fairmont.

Councilmember Reed asked if the garage space would be built with venting.

Nanci Klein responded that discussions were underway on how best to build out that area.

Upon motion of Chair Williams, seconded by Councilmember Reed, the Committee accepted staff's report on, "Economic Impact of the New City Hall".

3. **Update on Access San Jose and Team San Jose (Convention and Visitors Bureau, Team San Jose, City Manager's Office and Economic and Neighborhood Development City Service Area)**

Dan Fenton, President and CEO, San Jose Convention and Visitors Bureau, Michael Ross, CEO, Team San Jose, and Jose Villareal, Project Consultant, Team San Jose, provided this presentation. The City Council approved a Management Agreement with Team San Jose (TSJ) to manage, operate, and improve the overall performance the Convention Center and Cultural Facilities (facilities) for a five-year period, beginning July 1, 2004. Since assuming the management and operational responsibility of the facilities, which now includes the California Theatre and South Hall (expansion to the Convention Center), TSJ focused on achieving greater financial success and operational efficiencies. A comparison between fiscal years 2003-04 to FY 2004-05 revealed a 14% increase in revenue. For FY 2005-06, TSJ are projecting to increase their revenues by 19%. In addition to improving the financial performance of the facilities, TSJ has increased event activity at the facilities by 27% over TY 2003-04. Efforts to bring more entertainment events for local residents, for example the concert series at the Civic Auditorium, and major conventions have contributed to the increase in events. The increased activity has resulted in \$90.2 million in economic impact to the local economy.

The San Jose Convention and Visitors Bureau (CVB) is the lead organization for generating hotel room nights. TSJ is a strong and active partner in supporting the CVB to secure business opportunities. This collaborative relationship has been the result of the following accomplishments:

- \$1 million investment in facility upgrades for the Convention Center
- Upgrade to the Event Business Management Software which will allow better management of space inventory between hotel partners and convention space
- Concert series at Civic Center Auditorium
- Integrating CVB, Team San Jose and the Convention Center Websites in one that is focused on customer service

A four-year capital improvement budget has been submitted to the City Manager's office by CVB and TSJ. The facilities receive an operating subsidy from the Transient Occupancy (TOT) fund to support the administration, maintenance, and operations. In order to remain competitive and continue to attract business opportunities, reinvestment into facilities is a necessity. In this report, CVB and TSJ propose reinvesting the savings gained from the dedicated TOT subsidy into the facilities.

Paul Krutko reminded the committee that this was a new proposal outside of the Management Agreement. The Management Agreement with TSJ is structured to wean the facilities off of TOT operating subsidies.

Dan Fenton, CEO and President, CVB, agreed this was a new proposal and welcomes discussion on how these funds might be used to help with long term, deferred maintenance, while operating subsidies will continue to be reduced.

Chair Williams expressed a desire to achieve the same objectives without having to restructure the existing agreement and encouraged TSJ to pursue capital for improvement from other non-TOT sources.

Councilmember Reed asked if the budget, recently submitted to the City Manager, would help reduce the need for a new City downtown theater, or for one proposed by the County at the Fairgrounds.

Dan Fenton replied upgrades at the Civic Auditorium and the Center for Performing Arts could achieve this and focus should be on those two assets. Bringing the concert series into the Civic Auditorium is demonstrating that existing facilities are a viable option.

Councilmember Reed asked if any of the capital improvement funds would be used at the HP Pavilion to improve its viability as a music venue and capture any market demand before competitors build something.

Mike Ross, CEO, TSJ, responded that it would, allowing promoters additional options for the types of venues, as well as size of venue, keeping the City ahead of any competitors.

Dan Fenton concluded his presentation by describing progress on the Access San Jose initiative. Access San Jose is an example of collaboration between City departments, TSJ, CVB and local businesses and unique in their involvement in attracting and planning an event in a customer service role of, 'One-Stop-Shopping' for the promoter.

Upon motion of Chair Williams, seconded by Councilmember Reed, the Committee accepted staff's report on, "Update on Access San Jose and Team San Jose". Staff was asked to come back to the Committee with specific recommendations regarding upgrading of other City facilities.

4. Update on the City's Economic Development Indicators (Office of Economic Development) [DROPPED]

5. **Oral Petitions**

None

6. **Adjournment**

The meeting was adjourned at 3:23 p.m.

Forrest Williams

Forrest Williams, Chair

Driving a Strong Economy Committee

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